

October 25, 2010

## Natural Gas Trends

### Highlights

#### FERC NOI ON HINSHAW, 311 FIRM CAPACITY

**FERC requests public comment.** Last Thursday, the Federal Energy Regulatory Commission (FERC) issued a Notice of Inquiry (NOI) seeking public comment on whether and how holders of firm capacity on **intrastate natural gas pipelines** providing interstate transportation and storage services under section 311 of the Natural Gas Policy Act of 1978 and **Hinshaw pipelines** providing such services pursuant to blanket certificates issued under section 284.224 of the FERC's regulations should be permitted to allow others to make use of their firm interstate capacity, including to what extent buy/sell transactions should be permitted.



#### Buy/sell transactions.

According to FERC, a buy/sell transaction is a commercial arrangement whereby a shipper holding interstate pipeline capacity buys gas at the direction of, or on behalf of, or directly

from another entity (e.g. an end-user), ships that gas through its interstate pipeline capacity, and then resells an equivalent quantity of gas to the downstream entity at the delivery point. (Photo courtesy of FERC)

**Recent rulings.** In its recent Order No. 636, FERC prohibited private capacity transfers between shippers and, instead, required that release transactions be conducted through the pipeline. Subsequently, FERC terminated the capacity brokering program and stated that it would not authorize any more buy/sell transactions. Whether FERC's prohibition on buy/sell transactions applies to interstate open access transportation services has not yet been addressed by FERC.

Comments are due within 60 days of the date the NOI is published in the Federal Register. The NOI is available at: <http://www.ferc.gov/media/news-releases.asp>

### Data

- November Natural Gas Futures Contract (Oct 22), NYMEX at Henry Hub closed at \$3.332 per million British Thermal Units (MMBtu)
- November Light, Sweet Crude Oil Futures Contract (Oct 22), NYMEX at Cushing closed at \$81.69 per U.S. oil barrel (Bbl.) or approximately \$13.01 per MMBtu

#### Last week: Warmer Than Normal in Texas

For the week beginning 10/17/10 and ending 10/23/10, cooling degree days were higher than normal for Texas and lower than normal for the U.S. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 8% above normal for Texas and 20% above normal for the U.S. Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

#### COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/23/10	* Week CDD +/-from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	1	+ 1	1614	+ 20 %
Austin	57	+ 18	2906	+ 1 %
Dallas – FW	50	+ 31	3143	+ 24 %
El Paso	23	+ 14	2727	+ 21 %
Houston	74	+ 37	3240	+ 17 %
San Antonio	65	+ 24	3004	+ 2 %
Texas**	50	+ 21	2773	+ 8 %
U.S.**	+ 8	- 1	1428	+ 20 %

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.  
\*\* State and U.S. degree days are population-weighted by NOAA.

#### Last week: U.S. Gas Storage at 3,683 Bcf

For the week ending 10/15/2010, U.S. working gas in storage increased from 3,590 to 3,683 Bcf compared to 3,731 Bcf in storage a year ago and compared to an average of 3,397 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 1,124 to 1,161 Bcf. Source: [www.eia.doe.gov](http://www.eia.doe.gov)

#### U.S. WORKING GAS IN STORAGE

Region	Week ending 10/15/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	2014	1963	+ 43	+ 3.1 %
West	508	503	+ 5	+ 11.2 %
Producing	1161	1124	+ 37	+ 17.9 %
Lower 48 Total	3683	3590	+ 93	+ 8.4 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

### Last week: Gas Rig Count Down 1 To 965

The gas rig count for the U.S. was down 1 last week and up 240 when compared to 12 months ago. The U.S. total rig count was down 1 last week and up 621 when compared to 12 months ago.

Source: Baker Hughes

#### BAKER HUGHES ROTARY RIG COUNT

	As of 10/22/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1669	- 1	1047	+ 621
Gas	965	- 1	725	+ 240
Oil	695	0	312	+ 383
Texas	711	- 4	398	+ 313
N. Amer.	2088	- 5	1292	+ 796

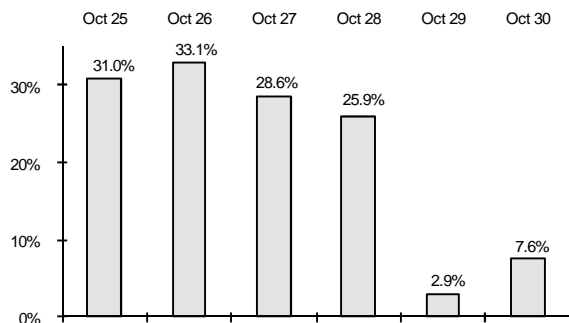
Numbers are excerpted and not meant to be totaled

### This week: U.S. Energy Higher Than Norm

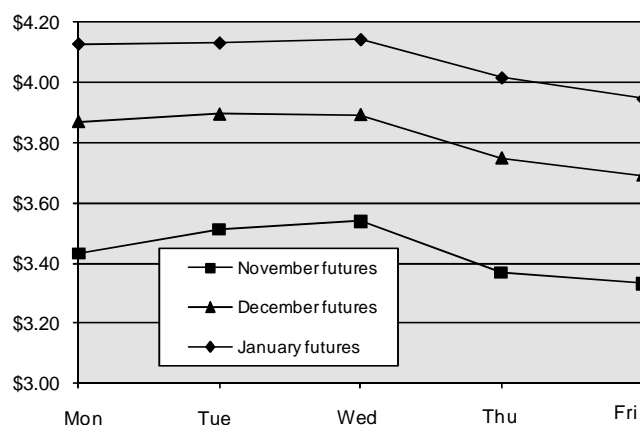
U.S. energy use is forecast to be higher than normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

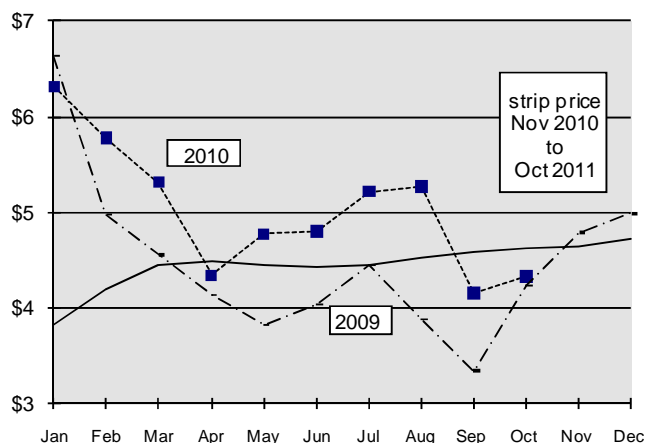
#### U.S. ENERGY USE FORECAST



#### NYMEX NATURAL GAS PRICE MOVEMENT 10/18/10 - 10/22/10



#### NYMEX HENRY HUB FUTURES PRICES



#### GAS PRICE SUMMARY AS OF 10/22/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$3.332	-\$0.203	-\$0.957	\$3.949